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GOVERNOR'S TASK FORCE ON
UMMS SALARY GAP
FINAL REPORT AND RECOMMENDATIONS



January, 1987

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I. EXECUTIVE SUMMARY

The Task Force on the UMMS Salary Gap has confirmed that a significant salary gap exists and has developed recommendations for reducing that gap.

A number of alternatives were considered. The Task Force unanimously rejected any mandatory transfer of non-corporation employees to the corporate system. A financial incentive for voluntary conversion was also rejected, because it did not adequately address the financial issues surrounding the salary gap and, moreover, its ultimate efficacy would be highly speculative at best.

Instead, the Task Force has adopted a compromise solution that would stem future growth of the salary gap, yet result in no diminution of current salary for non-corporation employees and make no changes in their benefits (e.g., leave time, pension, health insurance, etc.). Under the recommended action, fiscal year 1988 State COLA and ASR increases would be paid to UMMS's non-corporation employees in the form of a bonus. In future years, salary increases for non-corporation employees would no longer be based on State COLAs and ASRs. Rather, consistent with the Governor's charge to the Task Force, salary increases would be based on hospital market conditions, and non-corporation employees would be treated equitably relative to corporation employees in the hospital's consideration of increases.

The specific recommendations adopted by the Task Force are as follows:

1. Effective July 1, 1987, non-corporation employees will be exempt from State-mandated COLAs and ASRs. No other benefits will be changed.
2. For FY 1988, non-corporation employees will receive a one time "bonus" equivalent to what they would have received through the State ASR/COLA process. The cost of the bonus will be shared by UMMS and the State, based on the current calculation of the aggregate salary gap, with the State funding the salary gap portion of the bonus. For future years, salary increases for non-corporation employees will be based on market conditions, and non-corporation employees will be treated equitably relative to corporation employees in the hospital's consideration of increases.

3. A detailed study will be commissioned to develop voluntary incentive programs to make it attractive for non-corporation employees to switch to corporation status for some or all purposes. The program would have to prove fiscally beneficial even if only a limited number of employees were to switch. The Task force recommends that, to the extent possible, any incentives be applied retroactively to former non-corporation employees who already have transferred to the corporate system in the interim.
4. If practical, the incentive programs should be implemented in FY 1989.
5. The State's contribution to the salary gap will cease no later than June 30, 1989. The State, nonetheless, will continue to fund the pension gap for those employees who choose to stay in the State system.
6. UMMS, in consultation with the State Department of Personnel and the State Department of Employment and Training, will make arrangements to provide preferential hiring for non-corporation employees who prefer to leave UMMS but stay in the State's employment.

II. TASK FORCE COMPOSITION

Salary Gap Task Force Members

Avery Aisenstark, Chairman	Attorney .
Joseph Adler	Executive Director, Maryland Classified Employees Association, Inc.
The Honorable Clarence W. Blount	Maryland State Senate
William Bolander (vice Curtis Johnson)	American Federation of State, County and Municipal Employees
The Honorable Richard N. Dixon	Maryland House of Delegates
Mark P. Kane	Assistant Secretary, State Department of Personnel
George V. McGowan	Member, UMMS Board of Directors; and Member, University of Maryland Board of Regents
David G. Ricker	Senior Budget Analyst, State Department of Budget and Fiscal Planning
Patricia K. Smyth	Member, UMMS Board of Directors
Loretta Y. Wall	Employee Representative, UMMS

UMMS Nursing Representatives (non-voting)

Mary Etta Mills, R.N., Sc.D.	Vice President, Nursing, UMMS
Diane Williams, R.N.	Nursing Representative, Shock Trauma Center

Special Consultants

Diane Millikan	Senior Manager, Ernst & Whinney
Al Snyder	Partner, Ernst & Whinney
George Whetsell	Principal, Ernst & Whinney

III. BACKGROUND

A. Historical Perspective

The University of Maryland Medical System ("UMMS") is a 747-bed teaching hospital surrounded by the campus of the University of Maryland at Baltimore in downtown Baltimore. UMMS consists of the University of Maryland Hospital, the Shock Trauma Center, and the University of Maryland Cancer Center.

Prior to July 1, 1984, UMMS was part of the University of Maryland ("University"). Effective July 1, 1984, UMMS became a private, not-for-profit corporation separate from the University and the State. (Chapter 288, Laws of Maryland, 1984.) Employees of UMMS at June 30, 1984 were offered the choice of becoming employees of the new corporation or retaining their status as University employees for salary and fringe benefit purposes. (See Education Article, Section 13-1B-05(b).) UMMS employees hired on or after July 1, 1984 are employees of the new corporation, which sets its own salary and fringe benefit policies independent of the State. UMMS employees who have retained their University status ("non-corporation employees") currently constitute approximately two-thirds of the UMMS workforce.

UMMS is regulated by the Maryland Health Services Cost Review Commission ("HSCRC") for rate-setting purposes. The HSCRC rate review methodology includes a specific provision for salary and wage expense inflation. Currently, UMMS's average salary and wage expense is high relative to the hospital marketplace. UMMS is unable to recover, in its rates, actual salary and wage expense that exceeds the approved HSCRC salary and wage expense level. Therefore, in order to remain competitive and viable, the actual annual increase in UMMS's wage and salary expense cannot exceed the HSCRC approved increase.

However, UMMS does not currently control the salary and wage increases for non-corporation employees. Instead, the State mandates specific increases on a periodic basis, including cost of living adjustments, step increases, and regrades of entire job classifications. In recent years, the salary and wage increases mandated for UMMS non-corporation employees have exceeded the rate increases granted by the HSCRC to cover salary and wage inflation. Due to the long tenure of the UMMS non-corporation employee group, turnover has not significantly ameliorated this problem. As a result, a gap or shortfall ("the Salary Gap") exists between the non-corporation employee salary and wage expense and the approved HSCRC salary and wage budget for the non-corporation employee component of UMMS's workforce.

In its 1986 Session, the General Assembly authorized a \$2 million appropriation to UMMS to fund the Salary Gap in fiscal year 1987. Evidently, however, this appropriation was not intended to be a recurring item in the State budget. (See Governor's Letter to Joint Chairman and 1986 Joint Chairman's Report (Excerpt), attached as Appendix A.)

B. Governor's Charge

The Task Force on the UMMS Salary Gap was formed by Governor Harry Hughes in July 1986 to explore alternatives to resolve the Salary Gap on a permanent basis. The Task Force was asked to examine and recommend possible State initiatives that are designed to:

- o Recognize that the personnel system of UMMS should be driven by the hospital market place;
- o Examine the difference between the salary levels and fringe benefits provided to UMMS non-corporation employees and the hospital marketplace;
- o Eliminate the need for a State subsidy;
- o Investigate and recommend retraining opportunities for UMMS non-corporation employees; and
- o Develop an appropriate UMMS employee education and information process to ensure employee awareness of potential changes to their employee status.

(The full text of the Governor's charge letter to the Task Force is included as Appendix B.)

IV. SALARY GAP ANALYSIS

The Task Force, with technical assistance from its Special Consultants, Ernst & Whinney, verified that a significant Salary Gap exists in fiscal year 1987 and projected that, if no action is taken, the Salary Gap would continue to grow for a number of years. Eventually, turnover and retirements reduce and eliminate the Salary Gap. (Detailed projections of the Salary Gap using four different sets of assumptions are set forth in Appendix C.)

Two methodologies were used to calculate the Salary Gap: 1) the UMMS Finance Department methodology, and 2) the Ernst & Whinney methodology. The two calculations differ in the treatment of turnover; although the Ernst & Whinney methodology results in a lower Salary Gap figure in each year in which turnover occurs, both methodologies result in a significant Salary Gap over time. On a net present value (at 7%) basis and depending on the methodology and assumptions used, the Salary Gap projections range between \$14.7 million and \$57.8 million. The lowest projection (\$14.7 million) assumes no regrades and a State cost of living adjustment that is as low as the assumed HSCRC increase, thereby demonstrating the significant cumulative impact in future years of the current Salary Gap.

The Task Force does not consider selection of the Salary Gap calculation methodology a part of its charge. Rather, the Task Force recommends that the State Department of Budget and Fiscal Planning make the methodology selection. In any event, much of the uncertainty associated with the critical Salary Gap assumptions would be removed if the Task Force's recommendations, as described in Section VI of this Report, were implemented. The variability in UMMS non-corporation employee turnover rates could be adjusted on an annual basis.

V. ALTERNATIVE SOLUTIONS

A number of alternative methods for resolving the Salary Gap were considered and analyzed by the Task Force. In evaluating alternatives, the Task force was particularly sensitive to the needs, desires, and concerns of UMMS employees. The Task Force's sensitivity to employee concerns is demonstrated by the Task Force's unanimous rejection of any proposal that included a provision for mandatory conversion of non-corporation employees to the corporate system. In addition, UMMS nurses had Task Force representatives who were encouraged to participate fully in the discussion and debate (although, not being formal members, they had no vote).

The Task Force spent a significant amount of time considering a financial incentive program to encourage voluntary transfers of non-corporation employees to the corporate system. (The voluntary incentive analysis is included as Appendix D.) After study, however, a majority of the Task Force concluded that such a program, implemented independently of other actions, would be inordinately speculative and would not adequately address the financial issues surrounding the Salary Gap. Potential advantages of a voluntary incentive were thought to warrant additional analysis, however; as discussed in Section VI of this Report, voluntary incentives, coupled with a restriction on the increase of the Salary Gap, should be implemented if proven fiscally beneficial.

The Task Force considered several basic means of addressing the Salary Gap issue. A summary follows:

- o Remerge the Hospital with the State. The reasons for supporting separate UMMS governance in 1984 were thought to still apply. This approach, therefore, was not considered viable.
- o UMMS assumes responsibility for the Salary Gap. The HSCRC restrictions on UMMS do not make this a financially viable option for UMMS. This action, therefore, was rejected by the Task Force.
- o The State General Assembly continues to fund the Salary Gap. The Joint Chairman's Report (Appendix A) and the Governor's Charge Letter to the Task Force (Appendix B) clearly indicated the lack of support for continued, uncontrolled Salary Gap funding. Thus, the Task Force rejected this alternative.

- o Exempt UMMS non-corporation employees from mandated State COLA and ASR increases. Several detailed proposals incorporating this concept were seriously considered by the Committee. As indicated in Section VI, this action is a key component of the Task Force's final recommendations.
- o Create an incentive for voluntary conversion. Although somewhat appealing, the majority of the Task Force ultimately recognized that this concept alone would not adequately address the financial issues surrounding the Salary Gap. (See Appendix D for a more detailed discussion of the problems inherent in such an approach.) An incentive program, in conjunction with the COLA and ASR exemption, could prove fiscally beneficial, however; additional analysis is required.
- o Require mandatory conversion of all non-corporation employees to the corporate system. This action was unanimously rejected by the Task Force.
- o Exempt the Hospital from the HSCRC rate review process or modify the statutory responsibilities of the HSCRC. A presentation by Harold Cohen, Executive Director of the HSCRC, convinced the majority of the Task Force that this was not a viable approach. Moreover, such an approach would not be in the competitive interest of UMMS and would be contrary to the Governor's charge to create a solution that is market driven.

VI. RECOMMENDATIONS

The specific recommendations, adopted by the Task Force at its meeting on December 5, 1986, are as follows:

1. Effective July 1, 1987, non-corporation employees will be exempt from State-mandated COLAs and ASRs. No other benefits will be changed.
2. For FY 1988, non-corporation employees will receive a one time "bonus" equivalent to what they would have received through the State ASR/COLA process. The cost of the bonus will be shared by UMMS and the State, based on the current calculation of the aggregate salary gap, with the State funding the salary gap portion of the bonus. For future years, salary increases for non-corporation employees will be based on market conditions, and non-corporation employees will be treated equitably relative to corporation employees in the hospital's consideration of increases.
3. A detailed study will be commissioned to develop voluntary incentive programs to make it attractive for non-corporation employees to switch to corporation status for some or all purposes. The program would have to prove fiscally beneficial even if only a limited number of employees were to switch. The Task force recommends that, to the extent possible, any incentives be applied retroactively to former non-corporation employees who already have transferred to the corporate system in the interim.
4. If practical, the incentive programs should be implemented in FY 1989.
5. The State's contribution to the salary gap will cease no later than June 30, 1989. The State, nonetheless, will continue to fund the pension gap for those employees who choose to stay in the State system.
6. UMMS, in consultation with the State Department of Personnel and the State Department of Employment and Training, will make arrangements to provide preferential hiring for non-corporation employees who prefer to leave UMMS but stay in the State's employment.

The vote for these recommendations was as follows:

In Favor

Mr. Aisenstark
Mr. McGowan
Mr. Ricker
Ms. Smyth
Ms. Wall

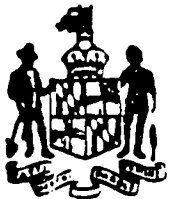
Opposed

Mr. Bolander
Mr. Dixon
Mr. Kane
Mr. Springer (for Mr. Adler)

Absent: Mr. Blount

These recommendations were also supported by the non-voting UMMS nursing representatives. Because nurses constitute approximately 40% of the UMMS work force, their representatives' participation in the Task Force's discussions and deliberations was particularly helpful. The representatives, Ms. Mills and Ms. Williams, asked that their support for the Task Force recommendations be formally recorded.

**APPENDIX A: Governor's Letter to Joint Chairman/
1986 Joint Chairman's Report (Excerpt)**



HARRY HUGHES
GOVERNOR

STATE OF MARYLAND
EXECUTIVE DEPARTMENT
ANNAPOLIS, MARYLAND 21404

March 20, 1986

The Honorable Laurence Levitan
Chairman, Budget and Taxation Committee
100 James Senate Office Building
Annapolis, Maryland 21401-1991

The Honorable R. Clayton Mitchell
Chairman, Appropriations Committee
130 Lowe House Office Building
Annapolis, Maryland 21401-1991

Dear Chairmen Levitan and Mitchell:

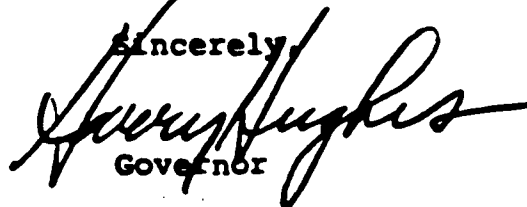
The FY 87 Supplemental Budget No. 2 includes a \$2,000,000 appropriation to cover that portion of the State cost of living adjustment for University employees which is not recoverable through the medical system rate structure. It can be found in Object .12 Grants, Subsidies and Contributions in 37.17.00.01.

This appropriation is made in FY 87 to provide a short term solution to a long term problem. The problem must be addressed on a permanent basis, and I will be appointing a Task Force to explore alternative solutions so that the University of Maryland Medical System Corporation does not experience this "salary gap" each year in which State employees receive a cost of living adjustment. The Task Force will include at a minimum, representatives of the UMMS Board of Directors and staff, the employees, and other interested parties.

It is my expectation that this Task Force will identify a long term solution to this issue which will require legislative action to implement. The final report of the Task Force as well as any recommended legislation should be prepared by December 1, 1986 for possible introduction in the 1987 Session of the General Assembly.

I would be pleased to discuss this matter with you in greater detail.

Sincerely,


Governor

Joint Chairman's Report

36.17.00

AID TO UNIVERSITY OF MARYLAND MEDICAL SYSTEM

BUDGET BILL LANGUAGE

36.17.00.00 - General Fund Appropriation

Change the Budget Bill language to read:

General Fund Appropriation provided that ~~\$2,602,165~~ \$3,203,165 may be used for no other ~~purpose~~ purposes than to fund the difference between the costs of University Hospital non-corporation employee pension costs and the amount included in its rate structure to cover such costs ~~and to cover the retirees health insurance costs~~ ; and for funding the cost of the employer's share of health insurance incurred on behalf of University Hospital non-corporation retirees.

Explanation: This corrects an error and clarifies the use of funds.

COMMITTEE NARRATIVE

36.17.00.00 General Fund Appropriation

It is the intent of the budget committees that the appropriation provided in Supplemental Budget No. 2, to cover the University of Maryland Medical System's salary gap, not be a long-term recurring item in the budget. Rather, it is the intention of the budget committees that the Medical System find a permanent solution to the problem.

It is the understanding of the budget committees that the Governor is in the process of appointing a task force to explore alternative solutions so that the Medical System does not experience this salary gap each year in which state employees receive a cost of living adjustment. It is anticipated this task force will have a final report by December 1, 1986.

Further, it is the understanding of the budget committees that with the \$2 million appropriation for the salary gap the Medical System will be in position to provide a cost of living adjustment to all eligible employees and it will not be necessary to layoff existing personnel to accomplish this purpose.

APPENDIX B: Governor's Charge Letter to Task Force



HARRY HUGHES
GOVERNOR

STATE OF MARYLAND
EXECUTIVE DEPARTMENT
ANNAPOLIS, MARYLAND 21404

July 24, 1986

Mr. Avery Aistenstark
6700 Cross Country Boulevard
Baltimore, Maryland 21215

Dear Mr. Aisenstark:

The 1986 General Assembly authorized a \$2 million appropriation to the University of Maryland Medical System (UMMS) to provide funds to cover that portion of the state cost of living adjustments for University employees which is not recoverable through the medical system rate structure.

It was the intent of the budget committees that the appropriation not be a recurring item in the budget, and they directed the UMMS to identify a permanent solution to the problem.

In a March 20, 1986 letter to the Chairmen of the Senate Budget and Taxation Committee and the House Appropriations Committee, I indicated my intention to appoint a Task Force to explore alternatives to solve the "salary gap" problem on a permanent basis.

I am requesting that the Task Force on the Salary Gap examine and recommend possible State initiatives which are designed to:

- * Recognize that the personnel system of the UMMS should be driven by the hospital market place. The Health Services Cost Review Commission's all payor system is predicated on this theory, and is designed to respond to a market place that is dynamic and in a constant state of flux.

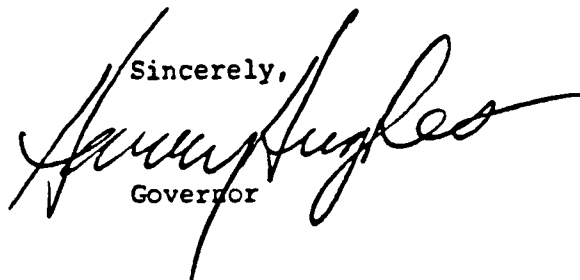
- * Examine the difference in the mandated salary levels and fringe benefits afforded state employees versus those of the hospital market place. The personnel system for the UMMS should reflect the trends in the market place. The Task Force should explore, identify and recommend means to achieve this, and to eliminate the need for a State subsidy in future years.
- * Investigate and recommend retraining opportunities for employees as a means of responding to the dynamic market place.
- * Develop an appropriate education and information process to assure that employees are aware of potential changes to their employee status.

I am pleased to appoint you Chairman of the Task Force. Your knowledge and expertise will be an important asset to the deliberations and recommended alternative solutions. I would appreciate your contacting the members to set the time and place of the first meeting.

To comply with the intent of the budget committees, I am requesting that the Task Force submit a report to me, including recommended legislation, by December 1, 1986 for possible introduction in the 1987 Session of the General Assembly.

The responsibility of the Task Force on the Salary Gap is vitally important to the future of the UMMS. Your efforts in this matter are appreciated and I thank you for agreeing to serve in this capacity.

Sincerely,



Governor

APPENDIX C: Salary Gap Projections

This appendix includes the detailed Salary Gap projections under four different sets of assumptions. The future cost of living adjustments varied between 2.0 and 3.5% per year; regrades were set at either 0 or a combination of a 1.0% increase in FY 1988 and a constant .5% annual increase thereafter; and HSCRC and turnover assumptions were held constant at a 2.0% annual increase and 14.1% of the annual gross salary expense, respectively. The sources of the assumptions were as follows:

COLA: The 2.0% annual increase assumed in Scenarios 1 and 2 was set to equal the HSCRC increase assumption.

The 3.0% annual increase assumption under Scenario 3 was provided by Dave Ricker of the State Department of Budget and Fiscal Planning.

The 3.5% annual increase assumption under Scenario 4 was provided by UMMS budget office personnel and is based on the FY 1987 actual increase.

Regrades: Scenario 1 assumes no regrades. Scenarios 2 through 4 assume a 1.0% increase in FY 1988 based on UMMS budget office projections and a .5% increase in future years based on the FY 1987 actual increase.

HSCRC: The 2.0% annual increase is based on current (December 1986) HSCRC salary and wage inflation factors.

Turnover: The 14.1% annual turnover rate was provided by the University Personnel office and is based on historical experience.

Salary Gap Projection Summary

<u>Scenario</u>	<u>COLA</u>	<u>Regrades</u>	<u>HSCRC</u>	<u>Turnover</u>	<u>Net Present Value @ 7%</u>	
					<u>UMMS</u>	<u>E&W</u>
1	2.0%	0	2.0%	14.1%	\$17,724,000	\$14,745,000
2	2.0%	1.0/.5%	2.0%	14.1%	27,463,000	24,029,000
3	3.0%	1.0/.5%	2.0%	14.1%	46,682,000	40,966,000
4	3.5%	1.0/.5%	2.0%	14.1%	57,764,000	50,045,000

ERNST & WHITNEY METHODOLOGY	1,551,188	2,036,760	2,224,475	2,172,687	2,009,012	1,788,931	1,576,472	1,302,138	1,211,002	1,061,055	929,676	816,563	713,704	625,333	547,906
UMMS METHODOLOGY	2,004,467	2,518,824	2,676,029	2,583,439	2,376,110	2,112,131	1,860,219	1,630,767	1,428,845	1,251,926	1,096,912	961,093	842,090	737,823	646,465
NET PRESENT VALUE	7%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	14,744,557														
UMMS METHODOLOGY	17,724,153														
NET PRESENT VALUE	8%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	13,913,488														
UMMS METHODOLOGY	16,738,056														
NET PRESENT VALUE	9%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	13,003,260														
UMMS METHODOLOGY	15,643,043														
NET PRESENT VALUE	10%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	12,482,255														
UMMS METHODOLOGY	15,216,415														

SCENARIO 1

ERNST & WHINNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSURED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,488	45,179,075	40,627,532	35,919,139	31,634,777	27,794,467	24,373,542	21,362,155	18,717,692	16,400,067	14,369,411	12,590,190	11,031,273	9,665,381	8,468,613
SPLIT FUNDED	2,872,540	2,647,119	2,349,237	2,076,980	1,829,242	1,607,181	1,409,370	1,235,240	1,082,328	948,314	830,894	728,012	637,870	558,889	489,687
OVERTIME	1,862,729	1,716,552	1,523,388	1,346,840	1,186,192	1,042,194	913,921	801,005	701,847	614,944	538,802	472,087	413,633	362,417	317,543
SUBTOTAL	54,297,127	50,142,746	44,500,157	39,342,959	34,650,210	30,443,841	26,696,834	23,398,400	20,501,866	17,963,325	15,739,106	13,790,290	12,082,776	10,586,687	9,275,843
COLA INCREASE	1,900,399	1,002,855	890,003	786,859	693,004	608,877	533,937	467,968	410,037	359,267	314,782	275,806	241,656	211,734	185,517
JULY STEP INCREASE	679,097	464,239	284,689	160,054	66,849	14,407	5,624	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (1/2)	115,630	115,630	79,137	46,898	21,076	9,886	1,957	764	0	0	0	0	0	0	0
JAN. STEP INCREASE (1/2)	115,630	79,137	46,898	21,076	9,886	1,957	764	0	0	0	0	0	0	0	0
REGRADES	263,679	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL	57,371,563	51,804,607	45,800,884	40,337,847	35,441,026	31,078,968	27,239,115	23,867,132	20,911,903	18,322,592	16,053,888	14,066,096	12,324,432	10,798,421	9,461,360
TURNOVER	(3,614,408)	(3,652,225)	(3,228,962)	(2,843,818)	(2,498,592)	(2,191,067)	(1,920,358)	(1,682,633)	(1,474,289)	(1,291,743)	(1,131,799)	(991,660)	(868,872)	(761,289)	(667,026)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	48,152,382	42,571,922	37,494,029	32,942,434	28,887,901	25,318,757	22,184,499	19,437,614	17,030,849	14,922,089	13,074,436	11,455,559	10,037,132	8,794,334
REHIREES (REDUCE GAP)	3,200,223	3,195,641	2,803,443	2,458,624	2,155,449	1,889,249	1,655,481	1,450,546	1,270,939	1,113,571	975,689	854,879	749,028	656,283	575,022
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL UNHS COST	56,957,378	51,348,023	45,375,365	39,952,652	35,097,883	30,777,150	26,974,238	23,635,044	20,708,553	18,144,420	15,897,778	13,929,315	12,204,587	10,693,415	9,369,357
HSCRC APPROVED SALARIES	55,600,258	49,566,518	43,429,192	38,051,789	33,340,217	29,212,031	25,594,997	22,425,825	19,649,059	17,216,113	15,084,414	13,216,662	11,580,174	10,146,317	8,890,000
ESTIMATED SALARY GAP	1,357,120	1,781,505	1,946,173	1,900,863	1,757,666	1,565,119	1,379,241	1,209,220	1,059,494	928,307	813,364	712,654	624,413	547,098	479,356
FRINGE BENEFITS @ 14.3%	194,068	254,755	278,303	271,823	251,346	223,812	197,231	172,918	151,508	132,748	116,311	101,909	89,291	78,235	68,548
TOTAL SALARY GAP	1,551,188	2,036,260	2,224,475	2,172,687	2,009,012	1,788,931	1,576,472	1,382,138	1,211,002	1,061,055	929,676	814,563	713,704	625,333	547,904
CUMULATIVE SALARY GAP	1,551,188	3,587,448	5,811,924	7,984,610	9,993,622	11,782,553	13,359,025	14,741,163	15,952,165	17,013,220	17,942,896	18,757,459	19,471,163	20,096,496	20,644,401
APPROXIMATE COST OF 5.25 NET EXTRA HOLIDAYS	1,003,103	924,385	820,364	725,290	638,779	561,234	492,158	431,351	377,953	331,155	290,152	254,225	222,747	195,166	171,001

SCENARIO 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

UMMS METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSURED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,488	45,779,075	40,627,532	35,919,139	31,634,777	27,794,467	24,373,542	21,362,155	18,717,692	16,400,067	14,369,411	12,590,190	11,031,273	9,665,381	8,468,613
SPLIT FUNDED	2,872,540	2,647,119	2,349,237	2,076,980	1,829,242	1,607,181	1,409,370	1,235,240	1,082,328	948,314	830,894	728,012	637,870	558,889	489,687
OVERTIME	1,862,729	1,716,552	1,523,388	1,346,840	1,186,192	1,042,194	913,921	801,005	701,847	614,944	538,802	472,087	413,633	362,417	317,543
SUBTOTAL	54,297,127	50,142,746	44,500,157	39,342,959	34,650,210	30,443,841	26,696,834	23,398,400	20,501,866	17,963,325	15,739,106	13,790,290	12,082,776	10,586,687	9,275,843
COLA INCREASE	1,900,399	1,002,855	890,003	786,859	693,004	608,877	533,937	467,968	410,037	359,267	314,782	275,806	241,656	211,734	185,517
JULY STEP INCREASE	679,097	464,239	284,689	140,054	66,849	14,407	5,624	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (11/2)	115,630	115,630	79,137	46,898	21,076	9,886	1,957	764	0	0	0	0	0	0	0
JAN. STEP INCREASE (11/2)	115,630	79,137	46,898	21,076	9,886	1,957	764	0	0	0	0	0	0	0	0
REGRADES	263,679	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL	57,371,563	51,804,607	45,800,884	40,337,847	35,441,076	31,078,968	27,239,115	23,867,132	20,911,903	18,322,592	16,053,888	14,066,096	12,324,432	10,798,421	9,461,360
TURNOVER	(3,614,408)	(3,652,225)	(3,228,962)	(2,843,818)	(2,498,592)	(2,191,067)	(1,920,358)	(1,682,633)	(1,474,289)	(1,291,743)	(1,131,799)	(991,660)	(868,872)	(761,269)	(667,026)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	48,152,382	42,571,922	37,494,029	32,942,484	28,887,901	25,316,757	22,184,499	19,437,614	17,030,849	14,922,089	13,074,436	11,455,559	10,037,152	8,794,334
DIFFERENCE BETWEEN STATE AND HSORC INCREASES (CUMULATIVE FROM FY 87)	3.3%	4.6%	5.5%	6.0%	6.3%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
ESTIMATED SALARY GAP	1,753,690	2,203,696	2,341,232	2,260,227	2,078,837	1,847,883	1,627,488	1,426,743	1,250,083	1,095,298	959,678	840,851	736,737	645,514	565,586
FRINGE BENEFITS @ 14.3%	250,778	315,128	334,796	323,212	297,274	264,247	232,731	204,024	178,762	156,628	137,234	120,242	105,353	92,309	80,879
TOTAL SALARY GAP	2,004,467	2,518,824	2,676,029	2,583,439	2,376,110	2,112,131	1,860,219	1,630,767	1,428,845	1,251,926	1,096,912	961,093	842,090	737,823	646,465
CUMULATIVE SALARY GAP	2,004,467	4,523,291	7,199,320	9,782,759	12,158,869	14,271,000	16,131,219	17,761,986	19,190,832	20,442,757	21,539,670	22,500,762	23,342,852	24,080,675	24,727,140
APPROXIMATE COST OF 5.25 EXTRA HOLIDAYS	1,003,103	924,385	820,364	725,290	638,779	561,234	492,158	431,351	377,953	331,155	290,152	254,225	222,767	195,166	171,001

ASSUMPTIONS:	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
COLA INCREASE	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
REGRADES	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
HSCRC APPROVED INCREASE	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TOT. ANNUAL TURNOVER RATE	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
CONVERSIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CALCULATED STEP INCREASES	1.7%	1.3%	0.9%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NUMBER OF STATE EMPLOYEES	2,315	2,023	1,738	1,493	1,282	1,102	946	813	698	600	515	443	380	327	281
TOT. ANNUAL TURNOVER RATE	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
	21,459	22,626	23,376	24,059	24,667	25,230	25,757	26,280	26,806	27,342	27,889	28,447	29,016	29,596	30,188
	105,448	103,318	102,928	102,538	102,288	102,098	102,038	102,008	102,008	102,008	102,008	102,008	102,008	102,008	102,008

STEP INCREASES/
EMPLOYEE DISTRIBUTION:

STEP 6	0%	65.4%	74.6%	82.8%	90.4%	97.3%	98.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
STEP 5	2%	9.2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 4	2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 3	6%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 2	6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 1	6%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BASE	6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SCENARIO 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

ERNST & WHITNEY METHODOLOGY	1,551,188	2,604,340	2,975,685	3,058,129	2,986,008	2,821,915	2,637,276	2,448,591	2,266,016	2,091,631	1,926,146	1,769,976	1,623,302	1,486,126	1,358,307
UMMS METHODOLOGY	2,004,467	3,098,913	3,450,223	3,500,967	3,391,927	3,188,027	2,966,795	2,744,912	2,532,864	2,332,291	2,143,480	1,966,485	1,801,178	1,647,295	1,504,465
NET PRESENT VALUE	7%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	24,028,972														
UMMS METHODOLOGY	27,463,323														
NET PRESENT VALUE	8%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	22,355,103														
UMMS METHODOLOGY	25,585,354														
NET PRESENT VALUE	9%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	20,892,619														
UMMS METHODOLOGY	23,911,546														
NET PRESENT VALUE	10%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	19,555,237														
UMMS METHODOLOGY	23,259,412														

SCENARIO 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

ERNST & YOUNG METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSUMED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	69,677,488	65,779,075	61,020,774	56,439,399	52,248,161	48,471,366	45,089,254	42,097,150	39,456,602	37,131,051	35,083,462	33,280,612	31,693,246	30,295,611	29,065,028
SPLIT FUNDED	2,872,540	2,647,119	2,371,976	2,107,064	1,864,711	1,646,322	1,450,755	1,277,741	1,125,054	990,582	872,183	767,935	676,168	595,331	524,174
OVERTIME	1,862,729	1,716,552	1,538,133	1,366,348	1,209,191	1,067,575	940,758	828,564	729,553	642,353	565,576	497,976	438,455	386,049	339,906
SUBTOTAL	54,297,127	50,142,746	46,930,883	43,912,811	41,322,063	39,185,263	37,480,767	35,203,456	33,311,209	31,763,987	30,521,221	29,546,522	28,807,849	28,127,991	27,529,109
COLA INCREASE	1,900,399	1,002,855	898,618	798,256	706,441	623,705	549,615	484,069	426,224	375,280	330,424	290,930	256,157	225,540	198,582
JULY STEP INCREASE	679,097	464,239	284,169	141,277	67,752	14,673	5,755	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (1/2)	115,630	115,630	79,137	46,812	21,260	10,020	1,993	782	0	0	0	0	0	0	0
JAN. STEP INCREASE (1/2)	115,630	79,137	46,812	21,260	10,020	1,993	782	0	0	0	0	0	0	0	0
REGRADES	263,679	501,427	224,654	199,564	176,610	155,926	137,404	121,017	106,556	93,820	82,606	72,733	64,039	56,385	49,646
SUBTOTAL	57,371,563	52,306,034	46,464,274	41,119,981	36,304,147	31,991,580	28,176,316	24,809,324	21,843,989	19,233,087	16,934,252	14,910,185	13,128,046	11,558,916	10,177,336
TURNOVER	(3,614,408)	(3,687,575)	(3,275,731)	(2,898,959)	(2,559,442)	(2,255,406)	(1,986,430)	(1,749,057)	(1,540,001)	(1,355,933)	(1,193,865)	(1,051,168)	(925,527)	(814,904)	(717,502)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	48,618,459	43,188,542	38,221,022	33,744,705	29,736,173	26,189,886	23,060,266	20,303,988	17,877,154	15,740,387	13,859,017	12,202,518	10,744,012	9,459,834
REHIREES (REDUCE GAP)	3,200,223	3,226,572	2,844,048	2,506,295	2,207,942	1,944,725	1,712,440	1,507,808	1,327,587	1,168,907	1,029,194	906,179	797,868	702,503	618,536
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL UNITS COST	56,957,378	51,845,031	46,032,591	40,727,317	35,952,647	31,680,898	27,902,326	24,568,075	21,631,575	19,046,061	16,769,581	14,765,197	13,000,387	11,446,515	10,078,371
HSCRC APPROVED SALARIES	55,600,258	49,566,518	43,429,192	38,051,789	33,340,217	29,212,031	25,594,997	22,425,825	19,649,059	17,216,113	15,084,414	13,216,662	11,580,174	10,146,317	8,890,000
ESTIMATED SALARY GAP	1,357,120	2,278,513	2,603,399	2,675,528	2,612,430	2,468,867	2,307,328	2,142,250	1,982,516	1,829,949	1,685,167	1,548,535	1,420,212	1,300,198	1,188,370
FRINGE BENEFITS @ 14.3%	194,068	325,827	372,286	382,601	373,578	353,048	329,948	306,342	283,500	261,683	240,979	221,441	203,090	185,928	169,937
TOTAL SALARY GAP	1,551,188	2,604,340	2,975,685	3,058,129	2,986,008	2,821,915	2,637,276	2,448,591	2,266,016	2,091,631	1,926,146	1,769,976	1,623,302	1,486,126	1,358,307
CUMULATIVE SALARY GAP	1,551,188	4,155,528	7,131,213	10,189,342	13,175,350	15,997,265	18,634,542	21,083,133	23,349,149	25,440,780	27,366,927	29,136,902	30,760,205	32,246,331	33,604,639
APPROXIMATE COST OF 5.25 NET EXTRA HOLIDAYS	1,003,103	924,385	828,304	735,796	651,165	574,903	506,610	446,192	392,874	345,915	304,570	268,166	236,114	207,892	183,044

SCENARIO 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

UMMS METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSUMED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,468	45,779,075	41,020,774	36,439,399	32,248,161	28,471,366	25,089,254	22,097,150	19,456,602	17,131,051	15,083,462	13,280,612	11,693,246	10,295,611	9,065,028
SPLIT FUNDED	2,872,540	2,647,119	2,371,976	2,107,064	1,864,711	1,646,322	1,450,755	1,277,741	1,125,054	990,502	872,183	767,935	676,148	595,331	524,174
OVERTIME	1,862,729	1,716,552	1,538,133	1,366,348	1,209,191	1,067,575	940,758	828,564	729,553	642,353	565,576	497,976	438,455	386,049	339,906
SUBTOTAL	54,297,127	50,142,746	44,930,883	39,912,811	35,322,063	31,185,263	27,480,767	24,203,456	21,311,209	18,763,987	16,521,221	14,546,522	12,807,849	11,276,991	9,929,109
COLA INCREASE	1,900,399	1,002,855	898,618	798,256	706,441	623,705	549,615	484,069	426,224	375,280	330,424	290,930	256,157	225,540	198,582
JULY STEP INCREASE	679,097	464,239	284,169	141,277	67,752	14,673	5,755	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (1/2)	115,630	115,630	79,137	46,812	21,260	10,020	1,993	782	0	0	0	0	0	0	0
JAN. STEP INCREASE (1/2)	115,630	79,137	46,812	21,260	10,020	1,993	782	0	0	0	0	0	0	0	0
REGRADES	263,679	501,427	224,654	199,564	176,610	155,976	137,404	121,017	106,556	95,820	82,606	72,733	64,039	56,385	49,646
SUBTOTAL	57,371,563	52,306,034	46,464,274	41,119,981	36,304,147	31,991,580	28,176,316	24,809,324	21,843,989	19,233,087	16,934,252	14,910,185	13,128,046	11,558,916	10,177,336
TURNOVER	(3,614,408)	(3,687,575)	(3,275,731)	(2,898,959)	(2,559,442)	(2,255,406)	(1,986,430)	(1,749,057)	(1,540,001)	(1,355,933)	(1,193,865)	(1,051,168)	(925,527)	(814,904)	(717,502)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	48,618,459	43,188,542	38,221,022	33,744,705	29,736,173	26,189,886	23,060,266	20,303,988	17,877,154	15,740,387	13,859,017	12,202,518	10,744,012	9,459,834
DIFFERENCE BETWEEN STATE AND ISCRC INCREASES (CUMULATIVE FROM FY 87)	3.3%	5.6%	7.0%	8.0%	8.8%	9.4%	9.9%	10.4%	10.9%	11.4%	11.9%	12.4%	12.9%	13.4%	13.9%
ESTIMATED SALARY GAP	1,753,690	2,711,210	3,018,568	3,062,955	2,967,565	2,789,175	2,595,621	2,401,498	2,215,979	2,040,500	1,875,311	1,720,459	1,575,834	1,441,203	1,316,242
FRINGE BENEFITS @ 14.3%	250,778	387,703	431,655	438,003	424,362	398,852	371,174	343,414	316,885	291,791	268,169	246,026	225,344	206,092	188,223
TOTAL SALARY GAP	2,004,467	3,098,913	3,450,223	3,500,957	3,391,927	3,188,027	2,966,795	2,744,912	2,532,864	2,332,291	2,143,480	1,966,485	1,801,178	1,647,295	1,504,465
CUMULATIVE SALARY GAP	2,004,467	5,103,381	8,553,604	12,054,561	15,446,488	18,634,514	21,601,309	24,346,221	26,879,085	29,211,376	31,354,856	33,321,342	35,122,520	36,769,816	38,274,279
APPROXIMATE COST OF 5.25 EXTRA HOLIDAYS	1,003,103	924,385	828,304	735,796	651,165	574,903	506,610	446,192	392,874	345,915	304,570	268,166	236,114	207,892	183,046

SCENARIO 2

SALARY GAP PROJECTIONS

ASSUMPTIONS:	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
COLA INCREASE	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
REGRADES	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
HSRC APPROVED INCREASE	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TOT. ANNUAL TURNOVER RATE	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
CONVERSIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CALCULATED STEP INCREASES	1.7%	1.3%	0.9%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NUMBER OF STATE EMPLOYEES	2,315	2,023	1,738	1,493	1,282	1,102	946	813	698	600	515	443	380	327	281
TOT. ANNUAL TURNOVER RATE	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
	21,459	22,626	23,602	24,407	25,146	25,845	26,513	27,184	27,865	28,561	29,275	30,007	30,757	31,526	32,316
	105.44%	104.31%	103.41%	103.02%	102.78%	102.59%	102.53%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%	102.50%

STEP INCREASES/

EMPLOYEE DISTRIBUTION:

STEP 6	0%	65.4%	74.6%	82.8%	90.4%	97.3%	98.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
STEP 5	2%	9.2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 4	2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 3	6%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 2	6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 1	6%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BASE	6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

SCENARIO 3

SALARY GAP PROJECTIONS

ERNST & WHITNEY METHODOLOGY	1,551,188	3,172,421	3,988,605	4,411,615	4,590,717	4,602,259	4,531,484	4,406,653	4,248,079	4,066,201	3,868,668	3,661,654	3,450,098	3,237,909	3,028,142
UMMS METHODOLOGY	2,004,467	3,689,657	4,517,909	4,943,793	5,119,100	5,119,868	5,038,646	4,903,649	4,735,681	4,544,633	4,337,692	4,120,737	3,898,535	3,674,922	3,452,943
NET PRESENT VALUE	7%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	40,966,483														
UMMS METHODOLOGY	46,682,426														
NET PRESENT VALUE	8%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	37,608,250														
UMMS METHODOLOGY	42,828,292														
NET PRESENT VALUE	9%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	35,167,897														
UMMS METHODOLOGY	40,026,441														
NET PRESENT VALUE	10%														
1987 - 2031															
ERNST & WHITNEY METHODOLOGY	32,107,841														
UMMS METHODOLOGY	38,934,811														

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

SCENARIO 3

SALARY GAP PROJECTIONS

ERNST & WHITNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSUMED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,488	45,779,075	41,414,016	37,140,911	33,185,781	29,583,168	26,322,779	23,409,584	20,813,277	18,504,357	16,451,576	14,626,520	13,003,927	11,561,337	10,278,780
SPLIT FUNDED	2,872,540	2,647,119	2,394,715	2,147,628	1,918,927	1,710,611	1,522,082	1,353,631	1,203,502	1,069,992	951,292	845,761	751,936	668,520	594,358
OVERTIME	1,862,729	1,716,552	1,552,878	1,392,652	1,244,349	1,109,264	987,011	877,776	780,424	693,848	616,876	548,442	487,601	433,509	385,418
SUBTOTAL	54,297,127	50,142,746	45,361,610	40,681,191	36,349,057	32,403,042	28,831,872	25,640,990	22,797,204	20,268,196	18,019,744	16,020,723	14,243,464	12,663,366	11,258,555
COLA INCREASE	1,900,399	1,504,282	1,360,848	1,220,436	1,090,472	972,091	864,956	769,230	683,916	608,046	540,592	480,622	427,304	379,901	337,757
JULY STEP INCREASE	679,097	464,239	283,649	142,367	68,927	15,071	5,969	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (1/2)	115,630	115,630	79,137	46,726	21,424	10,193	2,047	811	0	0	0	0	0	0	0
JAN. STEP INCREASE (1/2)	115,630	79,137	46,726	21,424	10,193	2,047	811	0	0	0	0	0	0	0	0
REGRADES	263,679	501,427	226,808	203,406	181,745	162,015	144,159	128,205	113,986	101,341	90,099	80,104	71,217	63,317	56,293
SUBTOTAL	57,371,563	52,807,462	47,358,778	42,315,550	37,721,819	33,564,461	29,849,814	26,539,236	23,595,106	20,977,583	18,650,435	16,581,449	14,741,986	13,106,583	11,652,605
TURNOVER CONVERSIONS	(3,614,408)	(3,722,926)	(3,338,794)	(2,983,246)	(2,659,388)	(2,366,294)	(2,104,412)	(1,871,016)	(1,663,455)	(1,478,920)	(1,314,856)	(1,168,992)	(1,039,310)	(924,014)	(821,509)
NET STATE SALARIES	53,757,154	49,084,536	44,019,984	39,332,303	35,062,430	31,198,166	27,745,402	24,668,220	21,931,651	19,498,663	17,335,579	15,412,456	13,702,676	12,182,569	10,831,096
RETIRES (REDUCE GAP) CONVERSIONS	3,200,223	3,257,504	2,898,800	2,579,166	2,294,162	2,040,338	1,814,148	1,612,945	1,434,013	1,274,931	1,133,496	1,007,752	895,957	796,564	708,197
TOTAL UMMS COST	56,957,378	52,342,039	46,918,785	41,911,470	37,356,592	33,238,505	29,559,551	26,281,165	23,365,664	20,773,594	18,469,075	16,420,208	14,598,632	12,979,133	11,539,293
HSCRC APPROVED SALARIES	55,600,258	49,566,518	43,429,192	38,051,789	33,340,217	29,212,031	25,594,997	22,425,825	19,649,059	17,216,113	15,084,414	13,216,662	11,580,174	10,146,317	8,890,000
ESTIMATED SALARY GAP	1,357,120	2,775,521	3,489,593	3,859,680	4,016,376	4,026,474	3,964,553	3,855,340	3,716,605	3,557,481	3,384,662	3,203,547	3,018,458	2,832,816	2,649,293
FRINGE BENEFITS @ 14.3%	194,068	396,900	499,012	551,934	574,342	575,786	566,931	551,314	531,474	508,720	484,007	458,107	431,639	405,093	378,849
TOTAL SALARY GAP	1,551,188	3,172,421	3,988,605	4,411,615	4,590,717	4,602,259	4,531,484	4,406,653	4,248,079	4,066,201	3,868,668	3,661,654	3,450,098	3,237,909	3,028,142
CUMULATIVE SALARY GAP	1,551,188	4,723,609	8,712,214	13,123,828	17,714,546	22,316,805	26,848,289	31,254,943	35,503,022	39,569,223	43,437,891	47,099,545	50,549,642	53,787,551	56,815,693
APPROXIMATE COST OF 5.25 NET EXTRA HOLIDAYS	1,003,103	924,385	836,245	749,961	670,098	597,352	531,518	472,694	420,268	373,646	332,195	295,343	262,579	233,450	207,552

SCENARIO 3

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

UMMS METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSURED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,488	45,779,075	41,414,016	37,140,911	33,185,781	29,583,168	26,322,779	23,409,584	20,813,277	18,504,357	16,451,576	14,626,520	13,003,927	11,561,337	10,278,780
SPLIT FUNDED	2,872,540	2,647,119	2,394,715	2,147,628	1,918,927	1,710,611	1,522,082	1,353,631	1,203,502	1,069,992	951,292	845,761	751,936	668,520	594,358
OVERTIME	1,862,729	1,716,552	1,552,878	1,392,652	1,244,349	1,109,264	987,011	877,776	780,424	693,848	616,876	548,442	487,601	433,509	385,418
SUBTOTAL	54,297,127	50,142,746	45,361,610	40,681,191	36,349,057	32,403,042	28,831,872	25,640,990	22,797,204	20,268,196	18,019,744	16,020,723	14,243,464	12,663,366	11,258,555
COLA INCREASE	1,900,399	1,504,282	1,360,848	1,220,436	1,090,472	972,091	864,956	769,230	683,916	608,046	540,592	480,622	427,304	379,901	337,757
JULY STEP INCREASE	679,097	464,239	283,649	142,367	68,927	15,071	5,969	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (1/2)	115,630	115,630	79,137	46,726	21,424	10,193	2,047	811	0	0	0	0	0	0	0
JAN. STEP INCREASE (1/2)	115,630	79,137	46,726	21,424	10,193	2,047	811	0	0	0	0	0	0	0	0
REGRADES	263,679	501,427	226,808	203,406	181,745	162,015	144,159	128,205	113,986	101,341	90,099	80,104	71,217	63,317	56,293
SUBTOTAL	57,371,563	52,807,462	47,358,778	42,315,550	37,721,819	33,564,461	29,849,814	26,559,236	23,595,106	20,977,583	18,650,435	16,581,449	14,741,986	13,106,583	11,652,605
TURNOVER	(3,614,408)	(3,722,926)	(3,338,794)	(2,983,246)	(2,659,388)	(2,366,294)	(2,104,412)	(1,871,016)	(1,663,455)	(1,478,920)	(1,314,856)	(1,168,992)	(1,039,310)	(924,014)	(821,509)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	49,084,536	44,019,984	39,332,303	35,062,430	31,198,166	27,745,402	24,688,220	21,931,651	19,498,663	17,335,579	15,412,456	13,702,676	12,182,569	10,831,096
DIFFERENCE BETWEEN STATE AND HSOC INCREASES (CUMULATIVE FROM FY 87)	3.3%	6.6%	9.0%	11.0%	12.8%	14.4%	15.9%	17.4%	18.9%	20.4%	21.9%	23.4%	24.9%	26.4%	27.9%
ESTIMATED SALARY GAP	1,753,690	3,228,046	3,952,676	4,325,278	4,478,653	4,479,325	4,408,264	4,290,157	4,143,203	3,976,057	3,795,006	3,605,194	3,410,792	3,215,154	3,020,948
FRINGE BENEFITS @ 14.3%	250,778	461,611	565,233	618,515	640,447	640,543	630,382	613,492	592,478	568,576	542,686	515,543	487,743	459,767	431,996
TOTAL SALARY GAP	2,004,467	3,689,657	4,517,909	4,943,793	5,119,100	5,119,868	5,038,646	4,903,649	4,735,681	4,544,633	4,337,692	4,120,737	3,898,535	3,674,922	3,452,943
CUMULATIVE SALARY GAP	2,004,467	5,694,124	10,212,033	15,155,826	20,274,926	25,394,794	30,433,441	35,337,090	40,072,771	44,617,403	48,955,096	53,075,433	56,974,368	60,649,290	64,102,233
APPROXIMATE COST OF 5.25 EXTRA HOLIDAYS	1,003,103	924,385	836,245	749,961	670,098	597,352	531,518	472,694	420,268	373,646	332,195	295,343	262,579	233,450	207,552

ASSUMPTIONS:

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
COLA INCREASE	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
REGRADES	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
HSCRC APPROVED INCREASE	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TOT. ANNUAL TURNOVER RATE	12.60%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%
CONVERSIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CALCULATED STEP INCREASES	1.7%	1.3%	0.9%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NUMBER OF STATE EMPLOYEES	2,315	2,023	1,738	1,493	1,282	1,102	946	813	698	600	515	443	380	327	281
TOT. ANNUAL TURNOVER RATE	12.60%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%
	21,459	22,626	23,828	24,877	25,877	26,854	27,817	28,799	29,808	30,851	31,931	33,048	34,205	35,402	36,641
	105,448	105,318	104,408	104,028	103,788	103,588	103,538	103,508	103,508	103,508	103,508	103,508	103,508	103,508	103,508

STEP INCREASES/
EMPLOYEE DISTRIBUTION:

	0%	65.4%	74.6%	82.8%	90.4%	97.3%	98.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
STEP 6	0%	65.4%	74.6%	82.8%	90.4%	97.3%	98.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
STEP 5	2%	9.2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 4	2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 3	6%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 2	6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 1	6%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BASE	6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SCENARIO 4

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

ERNST & WHINNEY METHODOLOGY	1,551,188	3,456,661	6,498,723	5,098,167	5,410,538	5,518,376	5,513,238	5,428,844	5,290,282	5,111,970	4,904,897	4,678,068	4,438,713	4,192,766	3,944,890
UMMS METHODOLOGY	2,004,467	3,989,024	5,066,314	5,694,834	6,030,122	6,152,343	6,160,477	6,087,706	5,959,435	5,789,292	5,587,666	5,363,207	5,123,076	4,873,170	4,618,304
NET PRESENT VALUE	7%														
1987 - 2031															
ERNST & WHINNEY METHODOLOGY	50,045,097														
UMMS METHODOLOGY	57,763,541														
NET PRESENT VALUE	8%														
1987 - 2031															
ERNST & WHINNEY METHODOLOGY	45,756,326														
UMMS METHODOLOGY	52,709,680														
NET PRESENT VALUE	9%														
1987 - 2031															
ERNST & WHINNEY METHODOLOGY	42,762,921														
UMMS METHODOLOGY	49,261,383														
NET PRESENT VALUE	10%														
1987 - 2031															
ERNST & WHINNEY METHODOLOGY	38,773,441														
UMMS METHODOLOGY	47,917,891														

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

SCENARIO 4

SALARY GAP PROJECTIONS

ERNST & WHITNEY METHODOLOGY

STATE SALARIES:

ASSUMED PREVIOUS JAN. STEP

CLASSIFIED AND ASSOCIATES

SPLIT FUNDED

OVERTIME

SUBTOTAL

COLA INCREASE

JULY STEP INCREASE

PREVIOUS JAN. STEP (1/2)

JAN. STEP INCREASE (1/2)

REGRADES

SUBTOTAL

TURNOVER

CONVERSIONS

NET STATE SALARIES

REHIREES (REDUCE GAP)

CONVERSIONS

TOTAL UMMS COST

HSORC APPROVED SALARIES

ESTIMATED SALARY GAP

FRINGE BENEFITS @ 14.3%

TOTAL SALARY GAP

CUMULATIVE SALARY GAP

APPROXIMATE COST

OF 5.25 NET EXTRA HOLIDAYS

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSUMED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,488	45,779,075	41,610,638	37,494,200	33,661,372	30,151,170	26,957,517	24,089,809	21,521,519	19,228,464	17,176,154	15,344,489	13,708,153	12,246,315 ¹	10,940,368
SPLIT FUNDED	2,872,540	2,647,119	2,406,084	2,168,056	1,946,428	1,743,455	1,558,785	1,392,964	1,244,456	1,111,747	993,190	887,276	792,657	708,128	632,613
OVERTIME	1,862,729	1,716,552	1,560,251	1,405,899	1,262,182	1,130,562	1,010,811	903,232	806,980	720,924	644,045	575,364	514,007	459,193	410,225
SUBTOTAL	54,297,127	50,142,746	45,576,973	41,068,155	36,869,982	33,025,187	29,527,113	26,386,054	23,572,955	21,059,135	18,813,389	16,807,129	15,014,817	13,413,637	11,983,206
COLA INCREASE	1,900,399	1,754,996	1,595,194	1,437,385	1,290,449	1,155,882	1,033,449	923,512	825,053	737,070	658,469	588,250	525,519	469,477	419,412
JULY STEP INCREASE	679,097	664,239	283,389	142,910	69,517	15,273	6,078	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (1/2)	115,630	115,630	79,137	46,683	21,506	10,281	2,075	826	0	0	0	0	0	0	0
JAN. STEP INCREASE (1/2)	115,630	79,137	46,683	21,506	10,281	2,075	826	0	0	0	0	0	0	0	0
REGRADES	263,679	501,427	227,885	205,341	184,350	165,126	147,636	131,930	117,865	105,296	94,067	84,036	75,074	67,068	59,916
SUBTOTAL	57,371,563	53,058,175	47,809,261	42,921,981	38,446,084	34,373,822	30,717,176	27,442,322	24,515,873	21,901,500	19,565,924	17,479,414	15,615,409	13,950,182	12,462,535
TURNOVER	(3,614,408)	(3,740,601)	(3,370,553)	(3,026,000)	(2,710,449)	(2,423,354)	(2,165,561)	(1,934,684)	(1,728,369)	(1,544,056)	(1,379,398)	(1,232,299)	(1,100,886)	(983,488)	(878,609)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	49,317,574	44,438,708	39,895,981	35,735,636	31,950,468	28,551,615	25,507,638	22,787,504	20,357,444	18,186,527	16,247,115	14,514,523	12,966,694	11,583,926
REHIREES (REDUCE GAP)	3,200,223	3,272,969	2,926,374	2,616,129	2,338,210	2,089,538	1,866,863	1,667,831	1,489,973	1,331,083	1,189,136	1,062,326	949,040	847,834	757,421
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL UMMS COST	56,957,378	52,590,543	47,365,082	42,512,110	38,073,846	34,040,006	30,418,478	27,175,469	24,277,477	21,688,527	19,375,662	17,309,442	15,463,563	13,814,529	12,341,347
HSORC APPROVED SALARIES	55,600,258	49,566,518	43,429,192	38,051,789	33,340,217	29,212,031	25,594,997	22,425,825	19,649,059	17,216,113	15,084,414	13,216,662	11,580,174	10,146,317	8,890,000
ESTIMATED SALARY GAP	1,357,120	3,024,025	3,935,891	4,460,321	4,733,629	4,827,975	4,823,481	4,749,644	4,628,418	4,472,414	4,291,249	4,092,780	3,883,388	3,668,211	3,451,347
FRINGE BENEFITS @ 14.3%	194,068	432,436	562,832	637,826	676,909	690,400	689,758	679,199	661,864	639,555	613,649	585,268	555,325	524,554	493,543
TOTAL SALARY GAP	1,551,188	3,456,461	4,498,723	5,098,147	5,410,538	5,518,376	5,513,238	5,428,844	5,290,282	5,111,970	4,904,897	4,678,048	4,438,713	4,192,766	3,944,890
CUMULATIVE SALARY GAP	1,551,188	5,007,649	9,506,372	14,604,519	20,015,056	25,533,432	31,046,671	36,475,514	41,765,796	46,877,766	51,782,663	56,460,711	60,899,424	65,092,189	69,037,079
APPROXIMATE COST															
OF 5.25 NET EXTRA HOLIDAYS	1,003,103	924,385	840,215	757,094	679,701	608,822	544,334	486,425	434,569	388,227	346,826	309,841	276,799	247,281	220,911

SCENARIO 4

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

UNHS METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
STATE SALARIES:															
ASSUMED PREVIOUS JAN. STEP	(115,630)														
CLASSIFIED AND ASSOCIATES	49,677,488	45,779,075	41,610,638	37,494,200	33,661,372	30,151,170	26,957,517	24,089,809	21,521,519	19,226,464	17,176,154	15,344,489	13,708,153	12,246,315	10,940,368
SPLIT FUNDED	2,872,540	2,647,119	2,406,084	2,168,056	1,946,428	1,743,455	1,558,785	1,392,964	1,244,456	1,111,747	993,190	887,276	792,657	708,128	632,613
OVERTIME	1,862,729	1,716,552	1,560,251	1,405,899	1,262,182	1,130,562	1,010,811	903,282	806,980	720,924	644,045	575,364	514,007	459,193	410,225
SUBTOTAL	54,297,127	50,142,746	45,576,973	41,068,155	36,869,982	33,025,187	29,527,113	26,386,054	23,572,955	21,059,135	18,813,389	16,807,129	15,014,817	13,413,637	11,983,206
COLA INCREASE	1,900,399	1,754,996	1,595,194	1,437,385	1,290,449	1,155,882	1,033,449	923,512	825,053	737,070	658,469	588,250	525,519	469,477	419,412
JULY STEP INCREASE	679,097	664,239	283,389	142,910	69,517	15,273	6,078	0	0	0	0	0	0	0	0
PREVIOUS JAN. STEP (11/2)	115,630	115,630	79,137	46,683	21,506	10,281	2,075	826	0	0	0	0	0	0	0
JAN. STEP INCREASE (11/2)	115,630	79,137	46,683	21,506	10,281	2,075	826	0	0	0	0	0	0	0	0
REGRADES	263,679	501,427	227,885	205,341	184,350	165,126	147,636	131,930	117,865	105,296	94,067	84,036	75,074	67,068	59,916
SUBTOTAL	57,371,563	53,058,175	47,809,261	42,921,981	38,446,084	34,373,822	30,717,176	27,442,322	24,515,873	21,901,500	19,565,924	17,479,414	15,615,409	13,950,182	12,462,535
TURNOVER	(3,614,408)	(3,760,601)	(3,370,553)	(3,026,000)	(2,710,449)	(2,423,354)	(2,165,561)	(1,934,684)	(1,728,369)	(1,544,056)	(1,379,398)	(1,232,299)	(1,100,886)	(983,488)	(878,609)
CONVERSIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET STATE SALARIES	53,757,154	49,317,574	44,438,708	39,895,981	35,735,636	31,950,468	28,551,615	25,507,638	22,787,504	20,357,444	18,186,527	16,247,115	14,514,523	12,966,694	11,583,926
DIFFERENCE BETWEEN STATE AND HSRC INCREASES (CUMULATIVE FROM FY 87)	3.3%	7.1%	10.0%	12.5%	14.8%	16.8%	18.9%	20.9%	22.9%	24.9%	26.9%	28.9%	30.9%	32.9%	34.9%
ESTIMATED SALARY GAP	1,753,690	3,489,960	4,432,471	4,982,357	5,275,697	5,382,627	5,389,743	5,326,077	5,213,854	5,064,998	4,888,597	4,692,219	4,482,131	4,263,491	4,040,511
FRINGE BENEFITS @ 14.3%	250,778	499,064	633,843	712,477	754,425	769,716	770,733	761,629	745,581	724,295	699,069	670,987	640,945	609,679	577,793
TOTAL SALARY GAP	2,004,467	3,989,024	5,066,314	5,694,834	6,030,122	6,152,343	6,160,477	6,087,706	5,959,435	5,789,292	5,587,666	5,363,207	5,123,076	4,873,170	4,618,304
CUMULATIVE SALARY GAP	2,004,467	5,993,492	11,059,806	16,754,640	22,704,762	28,937,105	35,097,581	41,185,287	47,144,723	52,934,015	58,521,681	63,804,888	69,007,964	73,881,134	78,499,438

APPROXIMATE COST
OF 5.25 EXTRA HOLIDAYS

1,003,103 924,385 840,215 757,094 679,701 608,822 544,334 486,429 434,569 398,227 346,826 309,841 276,799 247,281 220,911

ASSUMPTIONS:	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
COLA INCREASE	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
REGRADES	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
HSCRC APPROVED INCREASE	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TOT. ANNUAL TURNOVER RATE	12.60%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%
CONVERSIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CALCULATED STEP INCREASES	1.7%	1.3%	0.9%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NUMBER OF STATE EMPLOYEES	2,315	2,023	1,738	1,493	1,282	1,102	946	813	698	600	515	443	380	327	281
TOT. ANNUAL TURNOVER RATE	12.60%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%	14.10%
	21,459	22,626	23,941	25,114	26,248	27,370	28,487	29,635	30,822	32,055	33,337	34,670	36,057	37,499	38,999
	105.44%	105.81%	104.90%	104.51%	104.27%	104.08%	104.03%	104.00%	104.00%	104.00%	104.00%	104.00%	104.00%	104.00%	104.00%
STEP INCREASES/ EMPLOYEE DISTRIBUTION:															
STEP 6	65.4%	74.6%	82.8%	90.4%	97.3%	98.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
STEP 5	9.2%	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 4	8.2%	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 3	7.6%	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 2	6.9%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STEP 1	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BASE	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

STEP INCREASES/
EMPLOYEE DISTRIBUTION:

APPENDIX D: Voluntary Incentive Analysis

Ernst & Whinney

One North Charles
Baltimore, Maryland 21201

December 4, 1986

301/539-7940

TO: Salary Gap Task Force

FROM: Diane Millikan *DM*

RE: Voluntary Conversion Financial Incentives

As the task force requested at the meeting on December 1, 1986, Ernst & Whinney prepared an incremental incentive analysis. However, we have significant concerns related to the appropriateness, from a financial management perspective, of such an incentive provided on a voluntary basis. These concerns include:

1. Averages -- The analysis, as requested by the task force, is based on the average benefit of one employee conversion. The actual benefit obtained from each conversion will be dependent on the individual employee's situation (salary level, eligibility for step increases, holiday observance). To account for individual situations, potential turnover and regrades must be ignored. (See Attachment 1 - Incentive Formula).
2. Uncertainty -- The future salary gap estimates are based on assumptions which appear reasonable, but actual results will vary from the estimates. These variations may be material. For example, the net present value at 7% over three years of the accompanying total benefit projections varies between \$2,063 (Scenario 5) and \$4,578 (Scenario 1).
3. Required Appropriations -- Although it is very unlikely that all employees would choose to convert with a voluntary incentive, the State would need to appropriate sufficient funds in the budget for a full conversion. (e.g. approximately 2,200 employees times \$2,356, the net present value at 7% of the State benefit in Scenario 3 over a 3 year period.) This would significantly impact the State budgetary process.
4. Questionable Effectiveness -- A voluntary incentive is unlikely to significantly reduce the future salary gap problem unless a very significant incentive payment is made. At reasonable incentive payment levels, a salary gap will continue.
5. Employee Acceptance -- A voluntary incentive is most attractive to those State employees who do not have a long-term commitment to the Hospital. Those employees with a vested interest in the State system are not likely to give up security and leave benefits for a short-term gain, even with a three year commitment requirement.

In summary, because the salary gap will continue for those employees who do not choose to convert, the aggregate cost of the program is likely to exceed the benefit obtained.

Incentive Formula

This formula does not account for the loss of potential regrades or for turnover.

	<u>% of Base Salary (assumes a 7% discount rate)</u>			
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Holidays	2.0%	1.9%	1.7%	5.6%
Step Increases (Current Step)				
1	6.0%	5.6%	5.2%	16.8%
2	6.0%	5.6%	1.7%	13.3%
3	6.0%	1.9%	1.7%	9.6%
4	2.0%	1.9%	0%	3.9%
5	2.0%	0%	0%	2.0%
6	0%	0%	0%	0%
COLA (Assumes a 1% differential)	1.0%	0.9%	0.9%	2.8%

EXAMPLE:

<u>Step</u>	<u>% of Base Salary</u>				<u>Base Salary</u>	<u>Actual Benefit</u>
	<u>Step</u>	<u>Holiday</u>	<u>COLA</u>	<u>Total</u>		
1	16.8%	5.6%	2.8%	25.2%	\$20,000	\$5,040
2	13.3%	5.6%	2.8%	21.7%	\$20,000	\$4,340
3	9.6%	5.6%	2.8%	18.0%	\$20,000	\$3,600
4	3.9%	5.6%	2.8%	12.3%	\$20,000	\$2,460
5	2.0%	5.6%	2.8%	10.4%	\$20,000	\$2,080
6	0%	5.6%	2.8%	8.4%	\$20,000	\$1,680

SCENARIO 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

ERNST & WHINNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
COLA ASSUMPTION	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
REGRADE ASSUMPTION	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
HSCRC ASSUMPTION	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TURNOVER ASSUMPTION	12.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SALARY GAP BEFORE ONE CONVERSION	1,551,188	3,990,964	5,824,675	7,537,873	9,199,640	10,826,314	12,507,581	14,280,972	16,107,455	18,053,318
SALARY GAP AFTER ONE CONVERSION	1,551,188	3,989,364	5,822,451	7,534,988	9,196,057	10,821,994	12,502,482	14,255,051	16,100,666	18,045,614
MARGINAL BENEFIT OF ONE CONVERSION TO STATE	0	1,600	2,224	2,884	3,582	4,320	5,099	5,921	6,789	7,704
HOLIDAY COST BEFORE ONE CONVERSION	986,918	978,131	1,025,982	1,072,254	1,118,070	1,163,700	1,210,598	1,259,055	1,309,418	1,361,794
HOLIDAY COST AFTER ONE CONVERSION	986,668	977,648	1,025,481	1,071,735	1,117,531	1,163,141	1,210,017	1,258,451	1,308,789	1,361,141
MARGINAL BENEFIT OF ONE CONVERSION TO HOSPITAL FROM HOLIDAYS	250	483	501	519	538	559	581	604	628	653
TOTAL BENEFIT	250	2,084	2,725	3,403	4,121	4,879	5,680	6,525	7,417	8,357
CUMULATIVE TOTAL BENEFIT	250	2,334	5,059	8,462	12,583	17,462	23,142	29,668	37,085	45,442

NET PRESENT VALUE @ 7 PERCENT:

	STATE	HOSPITAL	TOTAL
ONE YEAR	0	250	250
TWO YEARS	1,496	702	2,198
THREE YEARS	3,438	1,139	4,578
FOUR YEARS	5,793	1,563	7,356
FIVE YEARS	8,526	1,974	10,500
SIX YEARS	11,080	2,358	13,438
SEVEN YEARS	13,467	2,716	16,184

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

SCENARIO 2

ERNST & WHINNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
COLA ASSUMPTION	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52
REGRADE ASSUMPTION	0.52	1.02	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
HSCRC ASSUMPTION	2.42	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
TURNOVER ASSUMPTION	12.62	14.12	14.12	14.12	14.12	14.12	14.12	14.12	14.12	14.12
SALARY GAP BEFORE ONE CONVERSION	1,551,188	3,456,461	4,498,723	5,098,147	5,410,538	5,518,376	5,513,238	5,428,844	5,290,282	5,111,970
SALARY GAP AFTER ONE CONVERSION	1,551,188	3,455,121	4,497,058	5,096,244	5,408,472	5,516,207	5,511,017	5,426,611	5,288,070	5,109,803
MARGINAL BENEFIT OF ONE CONVERSION TO STATE	0	1,339	1,665	1,903	2,066	2,169	2,221	2,233	2,212	2,167
HOLIDAY COST BEFORE ONE CONVERSION	986,918	902,600	813,308	730,168	654,026	584,751	522,546	466,835	417,052	372,578
HOLIDAY COST AFTER ONE CONVERSION	986,668	902,153	812,911	729,814	653,711	584,470	522,295	466,612	416,852	372,399
MARGINAL BENEFIT OF ONE CONVERSION TO HOSPITAL FROM HOLIDAYS	250	447	397	353	315	281	251	224	200	179
TOTAL BENEFIT	250	1,786	2,062	2,256	2,381	2,450	2,472	2,457	2,412	2,346
CUMULATIVE TOTAL BENEFIT	250	2,036	4,098	6,355	8,736	11,186	13,658	16,114	18,526	20,872

NET PRESENT VALUE @ 7 PERCENT:

	STATE	HOSPITAL	TOTAL
ONE YEAR	0	250	250
TWO YEARS	1,252	668	1,919
THREE YEARS	2,706	1,015	3,720
FOUR YEARS	4,259	1,303	5,562
FIVE YEARS	5,836	1,543	7,379
SIX YEARS	7,309	1,768	9,077
SEVEN YEARS	8,686	1,978	10,664

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SCENARIO 3

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

ERNST & WHINNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
COLA ASSUMPTION	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
REGRADO ASSUMPTION	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
HSCRC ASSUMPTION	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TURNOVER ASSUMPTION	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
SALARY GAP BEFORE ONE CONVERSION	1,551,188	3,172,421	3,988,605	4,411,615	4,590,717	4,602,259	4,531,484	4,406,653	4,248,079	4,066,201
SALARY GAP AFTER ONE CONVERSION	1,551,188	3,171,222	3,987,191	4,410,047	4,589,050	4,600,534	4,529,738	4,404,915	4,246,370	4,064,539
MARGINAL BENEFIT OF ONE CONVERSION TO STATE	0	1,199	1,414	1,567	1,668	1,725	1,746	1,739	1,709	1,662
HOLIDAY COST BEFORE ONE CONVERSION	986,918	898,335	805,645	719,852	641,705	570,982	507,791	451,473	401,388	356,860
HOLIDAY COST AFTER ONE CONVERSION	986,668	897,890	805,251	719,503	641,396	570,708	507,547	451,256	401,196	356,689
MARGINAL BENEFIT OF ONE CONVERSION TO HOSPITAL FROM HOLIDAYS	250	444	393	348	309	274	244	217	193	171
TOTAL BENEFIT	250	1,643	1,808	1,916	1,977	1,999	1,990	1,955	1,901	1,834
CUMULATIVE TOTAL BENEFIT	250	1,894	3,701	5,617	7,594	9,593	11,583	13,538	15,439	17,273

NET PRESENT VALUE @ 7 PERCENT:

	STATE	HOSPITAL	TOTAL
ONE YEAR	0	250	250
TWO YEARS	1,120	666	1,786
THREE YEARS	2,356	1,009	3,365
FOUR YEARS	3,635	1,294	4,929
FIVE YEARS	4,908	1,529	6,437
SIX YEARS	6,097	1,750	7,846
SEVEN YEARS	7,208	1,956	9,164

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

SCENARIO 4

ERNST & WHINNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
COLA ASSUMPTION	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
REGRADE ASSUMPTION	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
HSCRC ASSUMPTION	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TURNOVER ASSUMPTION	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
SALARY GAP BEFORE ONE CONVERSION	1,551,188	2,604,340	2,975,685	3,058,129	2,986,008	2,821,915	2,637,276	2,448,591	2,266,016	2,091,631
SALARY GAP AFTER ONE CONVERSION	1,551,188	2,603,422	2,974,769	3,057,222	2,985,120	2,821,053	2,636,447	2,447,799	2,265,264	2,090,921
MARGINAL BENEFIT OF ONE CONVERSION TO STATE	0	918	916	906	888	862	830	793	752	710
HOLIDAY COST BEFORE ONE CONVERSION	986,918	889,805	790,428	699,513	617,589	544,225	479,322	422,044	371,599	327,184
HOLIDAY COST AFTER ONE CONVERSION	986,668	889,365	790,042	699,175	617,291	543,964	479,092	421,842	371,421	327,027
MARGINAL BENEFIT OF ONE CONVERSION TO HOSPITAL FROM HOLIDAYS	250	440	386	339	297	261	230	202	178	157
TOTAL BENEFIT	250	1,358	1,302	1,245	1,185	1,123	1,060	995	930	867
CUMULATIVE TOTAL BENEFIT	250	1,609	2,911	4,156	5,341	6,464	7,524	8,519	9,449	10,316

NET PRESENT VALUE @ 7 PERCENT:

	STATE	HOSPITAL	TOTAL
ONE YEAR	0	250	250
TWO YEARS	858	662	1,520
THREE YEARS	1,659	999	2,657
FOUR YEARS	2,398	1,275	3,674
FIVE YEARS	3,076	1,502	4,578
SIX YEARS	3,709	1,714	5,423
SEVEN YEARS	4,300	1,912	6,212

SALARY GAP PROJECTIONS

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

SCENARIO 5

ERNST & WHINNEY METHODOLOGY

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
COLA ASSUMPTION	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
REGRADE ASSUMPTION	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
HSCRC ASSUMPTION	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
TURNOVER ASSUMPTION	12.6%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
SALARY GAP BEFORE ONE CONVERSION	1,551,188	2,036,260	2,224,475	2,172,687	2,009,012	1,788,931	1,576,472	1,382,138	1,211,002	1,061,055
SALARY GAP AFTER ONE CONVERSION	1,551,188	2,035,623	2,223,929	2,172,214	2,008,600	1,788,570	1,576,157	1,381,862	1,210,759	1,060,843
MARGINAL BENEFIT OF ONE CONVERSION TO STATE	0	637	546	473	412	360	316	276	242	212
HOLIDAY COST BEFORE ONE CONVERSION	986,918	881,275	779,142	686,208	602,906	528,700	463,379	406,016	355,743	311,695
HOLIDAY COST AFTER ONE CONVERSION	986,668	880,839	778,762	685,876	602,615	528,447	463,156	405,822	355,573	311,546
MARGINAL BENEFIT OF ONE CONVERSION TO HOSPITAL FROM HOLIDAYS	250	436	380	332	290	254	222	195	170	149
TOTAL BENEFIT	250	1,073	927	805	702	614	538	471	413	362
CUMULATIVE TOTAL BENEFIT	250	1,324	2,251	3,055	3,757	4,371	4,909	5,380	5,793	6,155

NET PRESENT VALUE @ 7 PERCENT:

	STATE	HOSPITAL	TOTAL
ONE YEAR	0	250	250
TWO YEARS	596	658	1,253
THREE YEARS	1,073	990	2,063
FOUR YEARS	1,459	1,261	2,720
FIVE YEARS	1,773	1,482	3,256
SIX YEARS	2,067	1,689	3,756
SEVEN YEARS	2,341	1,853	4,224

DISSENTING OPINION

GOVERNOR'S TASK FORCE
ON UMMS SALARY GAP
FINAL REPORT AND RECOMMENDATIONS

DISSENTING MEMBERS:

Senator Clarence Blount
Delegate Richard Dixon
Joseph Adler, Executive Director of MCEA
William Bolander, Associate Director of
AFSCME

Several members of the Governor's Task Force on UMMS Salary Gap, perhaps a majority, wish to take exception to the final report and recommendation of the above-named group as submitted by its Chair.

In our view and in the view of our UM Hospital employees, it breaks a commitment given in 1984 over the status of "State" employees at the Hospital. Employee representatives were originally opposed to the Governance legislation due to its potential negative impact on State employees. After receiving assurances from representatives of the Governor's Office and UM Administration, opposition to the legislation ceased. Employees were told that State employees remaining at the Hospital would receive the same benefits as all other State employees.

The Task Force proposal would alter this assurance by allowing the Hospital to set salaries and upgrades for all employees. This proposal may benefit the nursing staff, but would leave 60% of the Hospital staff worse off. We support a program of incentives to allow voluntary transfers. This has not been given an adequate test. There is also the question of UM Hospital Administration's budget priorities in attempting to cover a budget shortfall by shifting it all to employees' salaries and benefits.

IS THERE A SALARY GAP?

Page One of the Report's Executive Summary states "The Task Force on the UMMS Salary Gap has confirmed that a significant salary gap exists and has developed recommendations for reducing that gap."

Perhaps its a quibble over semantics but not all of the Task Force members agree that there is a salary gap per se. Members of the Task Force heard many hours of testimony from Hospital officials and from experts in the field of health economics. There was agreement that the Hospital had a budget problem in that its income was not sufficient to cover its expenses. Out of a budget of approximately \$160 million, there was a \$2 million shortfall or 1.25% of its operational revenues. The Hospital chose to shift the entire burden of the shortfall on the backs of the employees by stating that it could not pay a State mandated 3.5% across-the-board pay raise for employees who chose to remain with the State. Task Force members heard testimony that the Hospital yearly loses over \$24 million in uncompensated care. Yet, no discussion took place as to seeking the assistance of other levels of government by reimbursing the Hospital for such care. We are not saying that such care should not be given, but that other levels of government should perhaps assume part of this burden.

In our view, there is a "gap" problem but we do not agree that it is a salary gap. We do agree that it is a budget gap.

COMPROMISE SOLUTION

We also call into the statement on Page One that the Report is a compromise solution. The vote on the final report was 4 to 4 with the Chair voting in favor to break the tie. An earlier vote on a similar package was rejected 5 to 4. Indeed, the four "no" votes have not changed their views, and one of the signatories of this dissenting report (Senator Blount) was not able to be present at the final meeting. Had he been there, the vote would have been 5 to 4 against the recommendations with perhaps the Chair voting to create a tie 5 to 5. But it would not have passed. Thus, we reject the proposition that it is a compromise solution, given the sharp dissent and the narrow vote by which it passed.

SUPPORT OF NURSING REPRESENTATIVES

Page Ten of the report highlights the fact that two non-voting nursing representatives, one of whom holds a high level management position at the Hospital, expressed support for the proposal.

A number of points need to be made. While they are critical to its well-being, the nursing staff represents only 40% of the employees at the Hospital. Given current market conditions for nurses, it is probable that under a Hospital administered pay system, they would receive pay raises far larger than other staff. These pay raises would come at the expense of the other 60% of the support staff. (Current statutes allow the Hospital to grant such pay raises anyway.) The nursing representatives were rather forceful in wishing to retain all other State benefits, such as health insurance, vacations, holidays, etc. The proposal to allow the Hospital to set pay for all staff would give them the best of both worlds, but again, at the expense of other employees.

In our view, the Hospital had an opportunity to resolve its nursing shortage internally. In 1985, the Hospital was faced with another budget shortfall. Its answer was to eliminate the entire workforce of LPN's. Again, it was a situation of placing budget problems of the Hospital on the backs of the employees. Despite repeated pleas by the representatives of the employees, no attempts were made to place the over 100 LPN's into training programs which could have qualified them for RN positions.

ALTERNATIVE SOLUTIONS

Page Seven of the report states "The Task Force spent a significant amount of time considering a financial incentive program to encourage voluntary transfers of non-corporation employees to the corporate system."

We did not spend a significant amount of time studying the feasibility of voluntary incentives. Yes, the idea was discussed at several meetings, but it was given short shrift and disposed of. Despite the request of one or more Task Force members and signatories of this report, we never did spend adequate time looking at the numbers behind the cost of voluntary incentives. Solid facts and figures were not given until near the end of our deliberations, far too late to allow meaningful discussion and analysis.

PERMANENT SOLUTION

Throughout the deliberations of the Task Force, Hospital management representatives complained about having to operate their staff through two different personnel systems, the State and the Hospital Corporation. It would appear to us that the solution would be in having one personnel system. Consideration was given to recommending that the Hospital revert back to State control, but this was quickly rejected as were proposals to force State employees to become "corporation" employees. The proposal outlined in the report buys time for the Hospital but does not offer permanency.

The report urges that another detailed study be commissioned to develop voluntary incentive programs for employee conversion by Fiscal Year 1989. Thus, we will be right back confronting the same questions in a year or two. It would have made more sense, from our point of view, to keep the present situation regarding pay setting authority and really delve into creating economic incentives to voluntarily allow State employees to become UMMS employees.

SUMMARY AND RECAP

The legislation creating the UMMS Hospital Corporation gave specific guarantees to State employees. It stated that, "No University employee may be required to become an employee of the Medical System Corporation as a condition of employment or promotion. All Medical System University personnel are University employees in all respects."

This was written after UM management gave assurances to employees and employee representatives that they were not setting up the quasi-private corporation as a means of eliminating State employee benefits and working conditions. Employees and their representatives accepted the Hospital's assurances and believed that they were acting in good faith.

The Task Force proposal, which was narrowly accepted by a less than full Task Force, would break the pledge made earlier. Giving the Hospital pay setting authority over State employees, changes the intent of the statute and brings into question the

good faith of Hospital management. For the reasons given above, we believe that the Task Force recommendations do not solve the Hospital's problem and should be rejected. A program of financial incentives to allow for voluntary employee conversion should be considered and implemented. The report of the Task Force calls for such action for Fiscal Year 1989, and the so called salary gap will become less and less of a concern as more and more State employees become corporation employees.

